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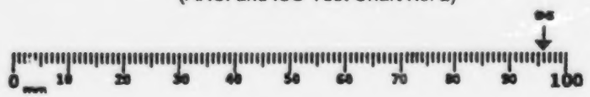

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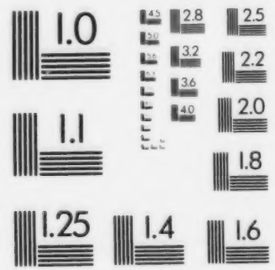

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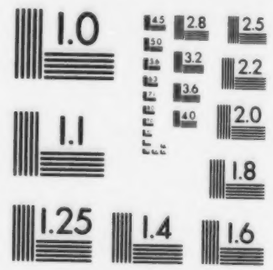

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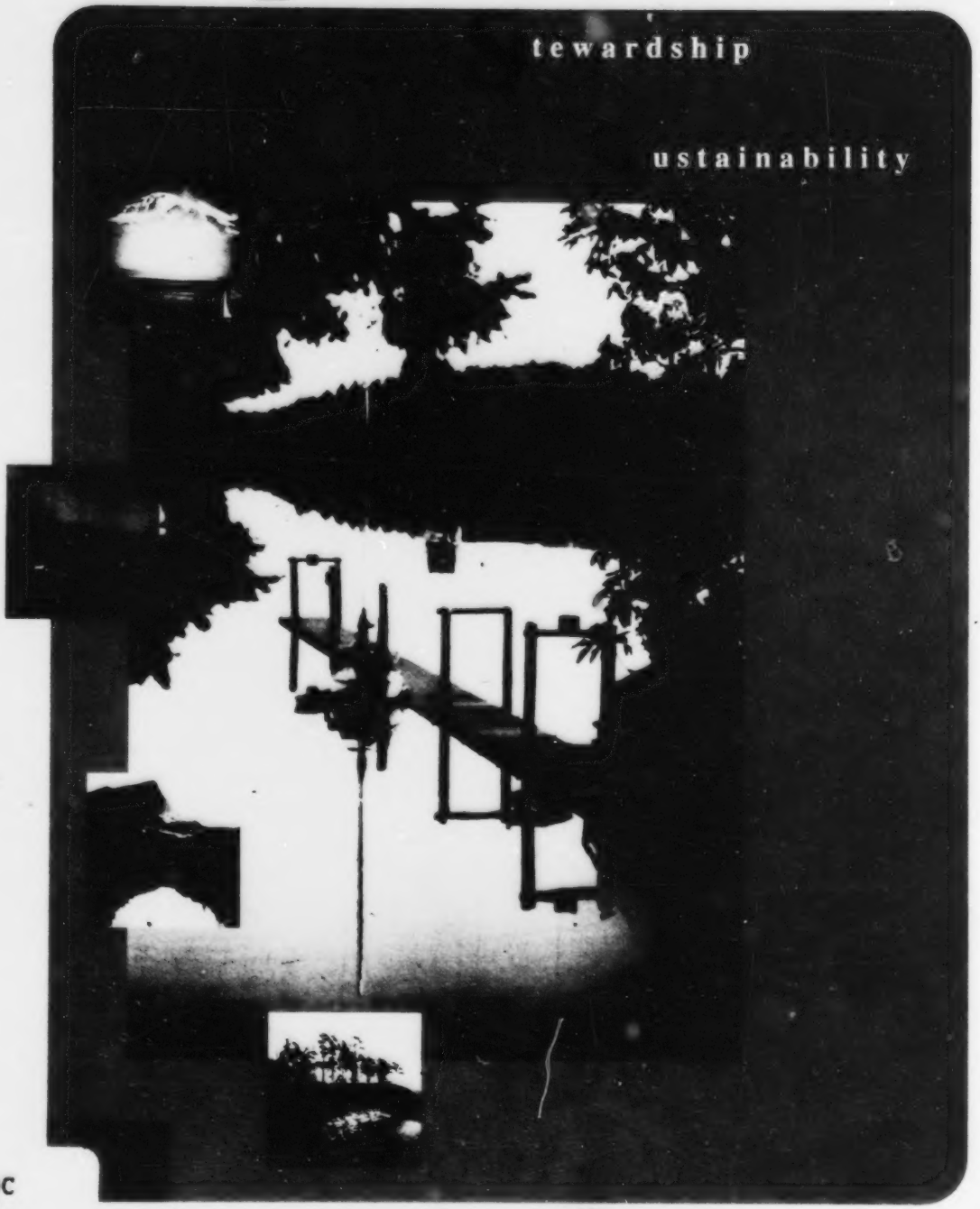

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ISLANDS TRUST

1997-1998 Annual Report

100-07093/

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Message from the Chairperson

In December 1996, when I was elected by my colleagues on the Islands Trust Council to serve as Chairperson, the mandate was clear and simple: put the emphasis of this organization on local planning.

As a new Council, we recognized and commended the work of previous Councils, and of our staff, in building a strong and well-managed organization. We set before ourselves the task of using this structure as an effective basis to fulfill the Object of the Trust in our island communities.

Local Trustees from all of the islands had agreed that our prime responsibility in this term would be to ensure that every community in the Trust Area has the planning tools it needs to face the constant pressures of growth:

Local Planning Initiatives

- A new Official Community Plan which balances visions for the future with current needs; and,
- Updated Land Use Bylaws which reflect this balance in clear and enforceable ways.

We are well on our way to fulfilling this aim with active review of these tools now on-going in nine island communities. In coincidence with this, we have carefully reassessed the allocation of resources within our organization to ensure that we are optimizing the delivery of local planning services to our constituents in the Trust Area.

While our focus is on local planning, members of the Islands Trust Council are well aware of our larger provincial responsibility. To this end, we continue to nurture working partnerships with other orders of government and agencies. Our extensive program of Protocol Agreements and Letters of Understanding makes it easier to resolve multi-jurisdictional problems through a process of clear and open consultation.

On behalf of my colleagues on the Executive Committee and all of the Local Trustees, I would like to thank our staff for its unwavering support.

David Essig
Chairperson

Message from the Trust Fund Board Chairperson

The 1997-1998 year was a busy one for the Islands Trust Fund. In the spring of 1997, the Trust Fund Board held its first workshop with island conservancies, offering an opportunity for the exchange of information about the activities of the various groups, how they achieved results, priorities for conservation on their islands and how the Islands Trust Fund can help conservancies achieve their goals.

Based on the success of this workshop and participant comments, the Islands Trust Fund held a second workshop with area conservancies in October 1997. The Board will continue to host conservancy workshops 1-2 times per year.

Workshops
Partnerships
Appointments

In June 1997, the Board joined with The Land Conservancy of BC and Nanaimo and Area Land Trust to initiate a new conservation partnership to protect the Ballenas Winchelsea Archipelago north of Nanaimo off the Nanoose Peninsula. As an initial effort, the partnership is raising funds for the purchase of South Winchelsea Island, one of four privately-owned islands in the archipelago. The Land Conservancy will hold title to the island and the Islands Trust Fund and Nanaimo and Area Land Trust will hold a conservation covenant on the land to ensure the land is used only for conservation purposes.

Take the Plunge, the Islands Trust Fund's new information booklet, was prepared and printed in the summer. This booklet outlines what the Islands Trust Fund is, what it does, and how it helps conserve special areas. It also provides pictures and descriptions of a few of the Islands Trust land holdings and fact sheets about theTrust Fund's mandate, programs, projects and processes.

In October 1997, the Board was pleased to announce the appointment of a new board member, Dr. Katherine Dunster of Bowen Island, who replaced out-going member Dr. Ross Johnson, and the reappointment of Ann Hillyer. The appointments were made by the Minister of Municipal Affairs.

Message Continued...

Policy Developments
Land Donations
Conservation Covenants

The Islands Trust Fund Plan, a five year program and policy plan, was finalized and approved by the Minister of Municipal Affairs in November 1997. The Plan set out the vision, goals, objectives, key program areas and guiding policies for the Islands Trust Fund for 1997-2002. The original Islands Trust Fund Plan was approved in 1992.

Also in the fall, the Board approved a Management Plan for Medicine Beach Nature Sanctuary on North Pender island and approved an updated management Plan for Coats Millstone Reserve on Gabriola Island.

The Islands Trust Fund received a wonderful donation of a 21 hectare (52 acre) forested property on Lasqueti Island from Mrs. Amelia Humphries at the end of December. The Lasqueti Nature Reserve is a place for quiet contemplation and appreciation of nature.

Rounding out the year, the Islands Trust Fund hosted a workshop on Monitoring Conservation Covenant Lands and Protected Areas in February 1998. The workshop was attended by conservancy groups and students in the Environmental Technology program at Camosun College.

Over the 1997-98 year, the Islands Trust Fund began or continued working with seven landowners in the Islands Trust Area. Nine conservation covenants were in progress by the end of the year.

Melinda Auerbach
Chairperson

Message from the Executive Director

The 1997-98 year was a year of balancing the Islands Trust work program to meet both the needs of 13 local trust committees and the common interests of the Trust Area.

Meeting the Needs of Local Trust Committees and the Trust Area

The primary focus of the Islands Trust continued to be the completion of Official Community Plans and Land Use Bylaws for all local trust areas by the end of 1999. Specific strategies of the Local Planning Service Delivery Review were implemented to enhance services to island communities. Additional protocol agreements were developed to strengthen the coordination of agency activities throughout the Trust Area.

The *Municipal Act* was amended to enable the creation of island municipalities within the Trust Area. The Trust Council developed policies within its Policy Statement Bylaw and provided support for a local Forestry Bylaw to promote appropriate forestry practices on island forests. The proposal to provide tax incentives for the protection of natural areas on private lands was supported by the Sunshine Coast Regional District as a potential pilot program for the Gambier Island Trust Area.

The care and attention given to the work program by trustees and staff is the cornerstone to the effective balancing of island community and Trust Area interests and more importantly the achievement of results.

Gordon McIntosh
Executive Director

Accomplishments 1997-1998

Governance

Intergovernmental Agreements

An active program to complete Protocols addressing areas of common Interest and the coordination of planning and services with each of the regional districts in the Trust Area was advanced with 5 of the 7 regional governments completed. In addition, the Crown lands Protocol was amended, the BC Ferries Protocol was reviewed and the Forest Land Commission entered into a Protocol with Islands Trust.

Municipal Act Legislation

The *Municipal Act* was amended to include a reference to 'island municipalities' and a Protocol with the Ministry of Municipal Affairs was advanced to ensure letters patent would require municipalities in the Trust Area to advance the object.

Administration

Service Delivery Review

An organizational review was undertaken to provide clear linkages between services. Trust Area Services was created and linked to local planning services and administrative functions.

Staff Structure Review

The professional planning function and related administrative functions were restructured into teams, allowing improved service delivery and integration of planning functions for each island.

Information Systems Review

Coopers Lybrand Consulting provided clear future direction for the Islands Trust's information and computer systems. An Information Systems Strategic Plan is currently underway.

Executive Committee

Office Location Review

Travel, financial and service delivery consequences of moving the head office to a location within the Trust Area as well as decentralizing offices to service the northern and central islands was reviewed. Trust Council will re-examine the matter in the year 2000.

Subdivision Approval Function Transfer

Agreement of the Minister of Transportation and Highways to permit a graduated implementation of the approving officer function between islands was successfully negotiated. Each local trust area could implement the approving officer function when its subdivision servicing bylaws are completed and approved by the Minister.

Ministerial Liaison

The Executive Committee met with: the Minister of Environment, Lands and Parks and the Minister of Forests to discuss concerns over island logging practices; the Minister of Environment Lands and Parks to discuss Crown land transfers and to seek support for the Natural Area Protection Tax Incentive proposal and the Protection of Public Lands Strategy; the Minister responsible for BC Ferries to discuss ferry service in the Trust Area; the Minister of Finance to seek support for the Natural Area Protection proposal; and, continued with annual meetings with the Federal Minister for Fisheries and all Members of the Legislative Assembly elected in the Trust Area.

Growth Management

Official Community Plans

Islands Trust Council had as its top priority completion of Official Community Plans (OCPs) for each local trust area. The OCPs consider the future of each island and its community, provide policy on future regulation and servicing needs, and provide direction for the advancement of the object of the Islands Trust. Extensive community consultation and collation of local knowledge resulted in completion of the OCP for Gabriola Island.

Crown Lands and Islets

The future of Crown lands and islets is a major interest in terms of the protection of the environment and identification of unique amenities. A program to combine the interests of all appropriate Provincial agencies and to assess potential future uses of Crown lands has been proposed and initial terms of reference developed. This project will extend into the year 2000.

Environment

Forestry Practices

The Islands Trust Council sought some means to promote appropriate forestry practices on island forests in the Trust Area. A Forest Sector Profile was completed identifying current status of forestry activity and production on the islands. Policies of the Islands Trust Council on Forestry issues were proposed for inclusion in the Trust Policy Statement.

Natural Area Protection Tax Incentives for Voluntary Stewardship

Islands Trust Council continues to advance a tax incentive scheme to facilitate the protection of natural areas on private lands in the Trust Area. The proposal is to encourage voluntary stewardship to preserve ecologically and culturally significant areas without outright purchase of private land.

Islands Trust Fund Board

The six member Trust Fund Board works with interested landowners and conservation groups to protect significant natural and cultural areas. The Board establishes nature reserves on significant donated lands, holds conservation covenants on private properties that contain key features and values and provides information to the public about land stewardship and conservation options. The Board can accept donations of land, cash and/or other capital property to assist in carrying out the Islands Trust mandate.

Highlighted Accomplishments

- Completed a Communications Strategy;
- Completed the Islands Trust Fund Plan - a five year plan to guide initiatives;
- Developed a Home Page (www.islandstrustfund.bc.ca);
- Prepared "Take the Plunge" booklet on land conservation and the Islands Trust Fund;
- Hosted four workshops with local conservancies and 1 public information session on conservation issues and options;
- Created a 21 hectare Nature Reserve on Lasqueti Island;
- Co-hosted a Marine Protected Areas Workshop with Canadian Parks and Wilderness Society and Islands Trust Council;
- Finalized Management Agreements with local conservancies for two nature Reserves; and,
- Raised $13,733 for acquisition projects.

Islands Trust Council

The 26 member Trust Council establishes general policies for carrying out the object of the Islands Trust and is responsible for financial management. Trust Council is required to adopt and implement a Trust Policy Statement that constitutes a framework for land use planning undertaken by local trust committees. Quarterly meetings were held in June (Denman Island), September (Mayne Island), December (Victoria) and March (Salt Spring Island).

A regular review program for the Policy Statement lead to a reexamination of Forests policies. The Trust Council program was dominated by forestry concerns and exploration of available tools to protect island forests while keeping benefits focussed on local communities.

In March 1998, Trust Council approved a new committee structure that replaced the four committeees with three committees. A new Trust Policy Committee was created and the Financial Committee and Local Planning Committee were retained. The refinement of the Trust Policy Statement became the responsibility of the Executive Committee, leaving the Trust Policy Committee to work on Trust-wide policy issues as priorized by Trust Council.

Trust Council Advisory Committees

Local Planning Committee

The Local Planning Committee undertook the following work programs:

- Development Permit Guidelines: procedures and cost structure;
- Local Trust Committee Work Program Allocation Guidelines; and,
- An Official Community Plan Working Reference document.

Trust Policy Committee

- **Forest Land Use in the Trust Area.** The committee worked through a multi-faceted program to examine and make recommendations on potential forest land regulations and management controls through: examination of the Forest Practices Code application; BC Government's Woodlot program and Community Forest model application; and, the legal, organizational and local regulational opportunities.
- **The Natural Area Protection Tax Incentive** proposal and action plan were designed, a promotional video developed and proposal particulars refined.
- **A Marine Protected Areas network** was established through cohosting a public forum on Salt Spring Island in October 1997.

Financial Planning Committee

- **Prepared a budget for 1998/99** that did not increase taxes to property owners in 1998.
- **Reviewed the fee schedule in 1997** to ensure that fees paid by the applicant covered the actual costs of processing the application, and to ensure that the fees were fair.
- **Reviewed and re-tendered the financial audit and legal service contracts.** The contract reviews involved a process of proposal submission, completion of questionnaires and personal interviews to ensure that the best possible service was being provided for the best value.
- **Reviewed the Base Budget** and provided reports to Trust Council that highlighted the implementation of cost control procedures, tendering of service contracts and staff restructure implications.

There is a local trust committee for each group of islands designated as a local trust area by regulation under the Islands Trust Act. A local trust committee is responsible for land use planning and regulation for its area of jurisdiction. As such, its responsibilities include preparation and adoption of official Community Plans, rural land use bylaws, zoning and subdivsion bylaws and the issuance of development permits.

Serving communities in the Strait of Georgia and Howe Sound

Trust Committees In Action:

Bowen Island

A review of the Land Use Bylaw was undertaken to implement the new Official Community Plan. Interagency coordination on park and trail issues and matters that arise from transportation planning and regional park initiatives were also work items.

Denman Island

The Official Community Plan Review began by taking a comprehensive detailed look at forestry uses with the assistance of a professional forestry consultant.

Gabriola Island

The Official Community Plan was redrafted, comprehensively reviewed by the community and completed.

Galiano Island

The forest land initiative was undertaken to develop creative means to protect the integrity of forest lands while addressing residential interests of current owners of the forest lands.

Gambier Island

A second draft of the Gambier Island Official Community Plan was prepared after an extensive public consultation process using a questionnaire format. Several issues regarding parks, roads and other development on Keats Island have prompted increased interagency consultation.

Hornby Island

The Official Community Plan review process was launched in February 1998. A diverse mixture of community members have been appointed to a Steering Committee to assist in design and monitoring of the process and participation in the resolution of land use issues.

Accomplishments 1997-1998

Lasqueti Island

A Rural Land Use Bylaw (RLUB) review process was launched in June 1997. Several community forums were held in the summer and fall of 1997 to discuss land use issues.

Mayne Island

The Land Use Bylaw was adopted in June 1997. A significant subdivision was processed under a development agreement which involved extensive interagency negotiations regarding road location.

Salt Spring Island

The Official Community Plan went to public hearing and was given third reading. As part of the review process, agreement was reached with B.C. Lands to designate the Island's Crown lands for park, conservation and watershed purposes. A draft OCP Implementation Program was undertaken to establish priorities and monitor progress. One of the more significant rezoning projects completed this year will lead to dedication to the community of an 80 acre park through the transfer of development potential.

Saturna Island

An Official Community Plan was drafted after a community review process involving a steering committee, six task forces and several community review meetings. Draft bylaws were prepared to create new Agricultural Sales, water protection and Farm Resort zones and to refine the commercial recreation zone.

North Pender Island

An amendment to the Official Community Plan was finalized after community review involving two information sessions. Forest Land Reserve (FLR) and Agricultural Land Reserve (ALR) applications have been received from Sallas Forest Limited on Sidney Island to remove land from the FLR and ALR and to include land into the FLR.

South Pender Island

Discussions continued with representatives from Bedwell Harbour Island Resort and Marina Limited to finalize a draft bylaw amendment package which includes amenity zoning, a ridge protection covenant and a subdivision servicing bylaw for land commonly known as Bedwell Harbour Resort. Drafting of a land use bylaw was initiated.

Thetis Island

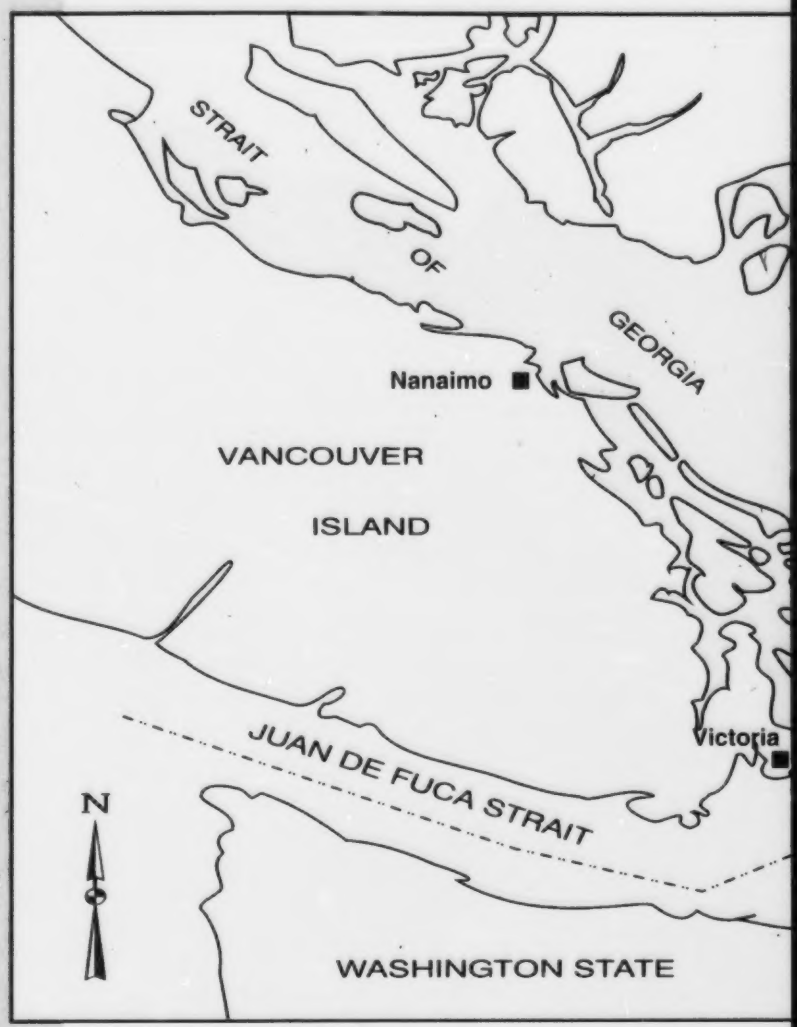
Preparation of the Island's Land Use Bylaw was completed with its adoption in October, 1997. Activities resumed on the Valdes Island Rural Land Use Bylaw with public information meetings at year end and subsequent revisions made to the proposed bylaw.

... A Special Place ...

Located in the Strait of Georgia and Howe Sound, the ***Trust Area*** *is a unique and special place - a scenic archipelago of 13 larger islands and more than 450 smaller ones. The area provides habitats for an exceptional variety of species: more than 200 types of migratory and resident birds, numerous species of fish and a diverse marine and intertidal life, terrestrial wildlife and vegetation.*

Outstanding scenery and recreational resources include panoramic viewpoints, sheltered bays with warm sand or pebble beaches, and protected marine waterways and anchorages that contribute to the location's beauty, appeal and tranquility.

The beauty, tranquility and unique natural environment of the islands in the Strait of Georgia and Howe Sound have given the area national recognition. Realizing this, the Government of British Columbia enacted special protective legislation entitled the Islands Trust Act in 1974. The Act states that the object of the Islands Trust is to "preserve and protect the Trust Area and its unique amenities and environment for the benefit of the residents of the Trust Area and of the Province generally, in cooperation with the municipalities, regional districts, improvement districts, other persons and organizations, and the government of the Province."

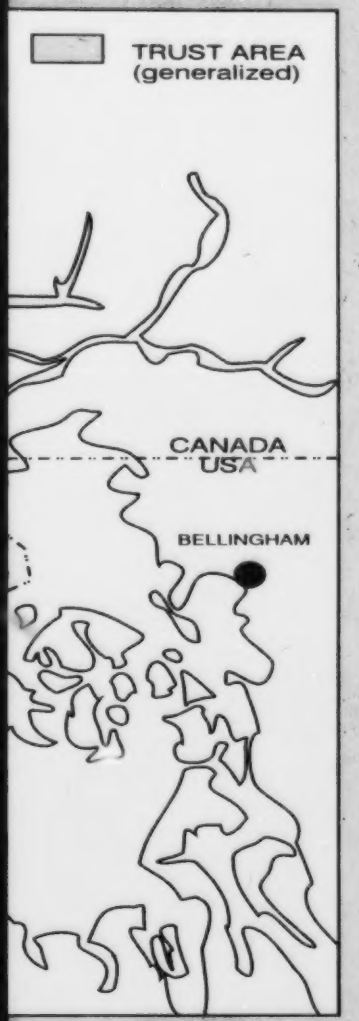


The Trust Area includes all land, other than First Nation's Reserve land, on all islands, and the water in between these islands, except foreshore areas of local governments on Vancouver Island and the mainland.

Services

Community Planning
Development Management
Property Acquisition and Stewardship
Conservation

ISLANDS TRUST



KEY FACTS AND FIGURES

SIZE: 5,178 kilometres
POPULATION: 23,000
PERMITS AND APPLICATIONS PROCESSED: 250
PROPERTIES HELD IN TRUST:

Inner Island Nature Reserve
Coats Millstone Reserve
Medicine Beach Marsh
Cunningham Reserve
Deep Ridge Reserve
Denman Island School Site

Organization and Responsibilities

The Islands Trust is comprised of 16 distinct corporate entities: the **Trust Council**, 14 **Local Trust Committees** (LTC) and the **Trust Fund Board** (See Organization Chart in Appendix B).

The **Trust Council** brings together trustees elected from each local trust area. It establishes overall policy directions, bears responsibility for financial management, appoints staff and auditors and adopts the annual budget.

In addition, Trust Council is required to adopt and implement a Policy Statement applicable to the entire Trust Area. This statement constitutes a framework for land use planning undertaken by Local Trust Committees. It guides the more specific plans and policies developed at the local level, and ensures that these plans contribute to the implementation of the broader policies for the overall Trust Area.

Trust Council elects from its members an **Executive Committee**. This body carries out the daily business of the Islands Trust. In addition to representing those areas not included within any other local trust area, Executive Committee reviews all local trust committee bylaws to ensure their compliance with Trust Council policy directives.

There is a **Local Trust Committee** for each island or group of islands designated as a local trust area under the *Islands Trust Act*. Comprised of locally elected trustees and one Executive Committee member, a LTC is responsible for land use planning and regulation for its area of jurisdiction. As such, its responsibilites include preparation and adoption of an Official Community Plan, rural land use bylaws, zoning and subdivision servicing bylaws, regulation of soil removal and deposit, and authorization of certain ***Municipal*** *Act* permits.

Official Community Plans guide island community development and must be approved by the Minister of Municipal Affairs and Housing.

Boards of Variance are established by LTCs to provide an avenue of appeal from the application of some regulations found in local land use and zoning bylaws.

Also established by LTCs, local **Advisory Planning Commissions** advise on land use planning matters referred to them by the LTC.

The goal of the **Islands Trust Fund Board** is to preserve and protect significant areas and features in the Trust Area. The board is authorized to acquire and hold money, land and partial interests in land for conservation purposes.

A first priority was development of an inventory of rare and endangered species, critical habitats, and unique or fragile features. This inventory will facilitate informed land use decisions.

The Trust Fund Board has a mandate to accept conservation covenants on land, as well as reception of land itself from benevolent landowners. These sites are held to protect forests, trail networks, wetlands, as well as scenic and heritage values.

Liason has been established with a number of conservancy groups.

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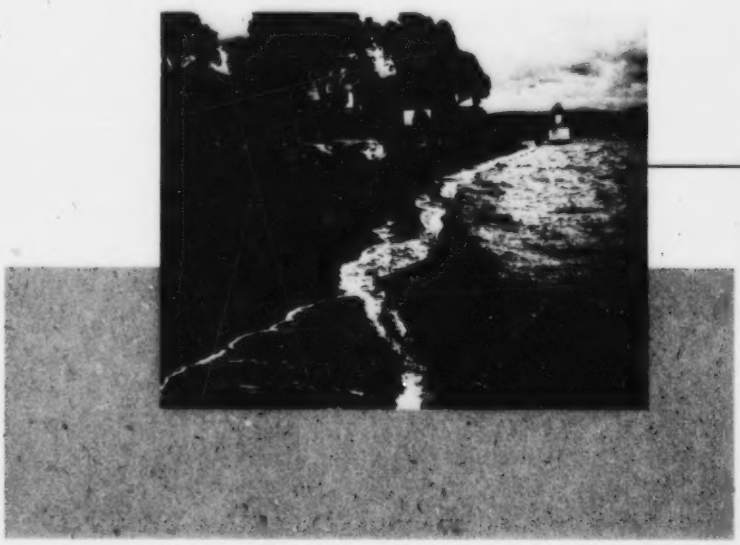


Appendix A: Board of Trustees

Trustees of the Islands Trust and Island Trust Fund Board

Chairperson:
David Essig

Vice-chairpersons:
Melinda Auerbach

Larry Holbrook

John Money

Chairperson:
Melinda Auerbach

Members:
Ann Hillier

Ross Johnson

Tony Law

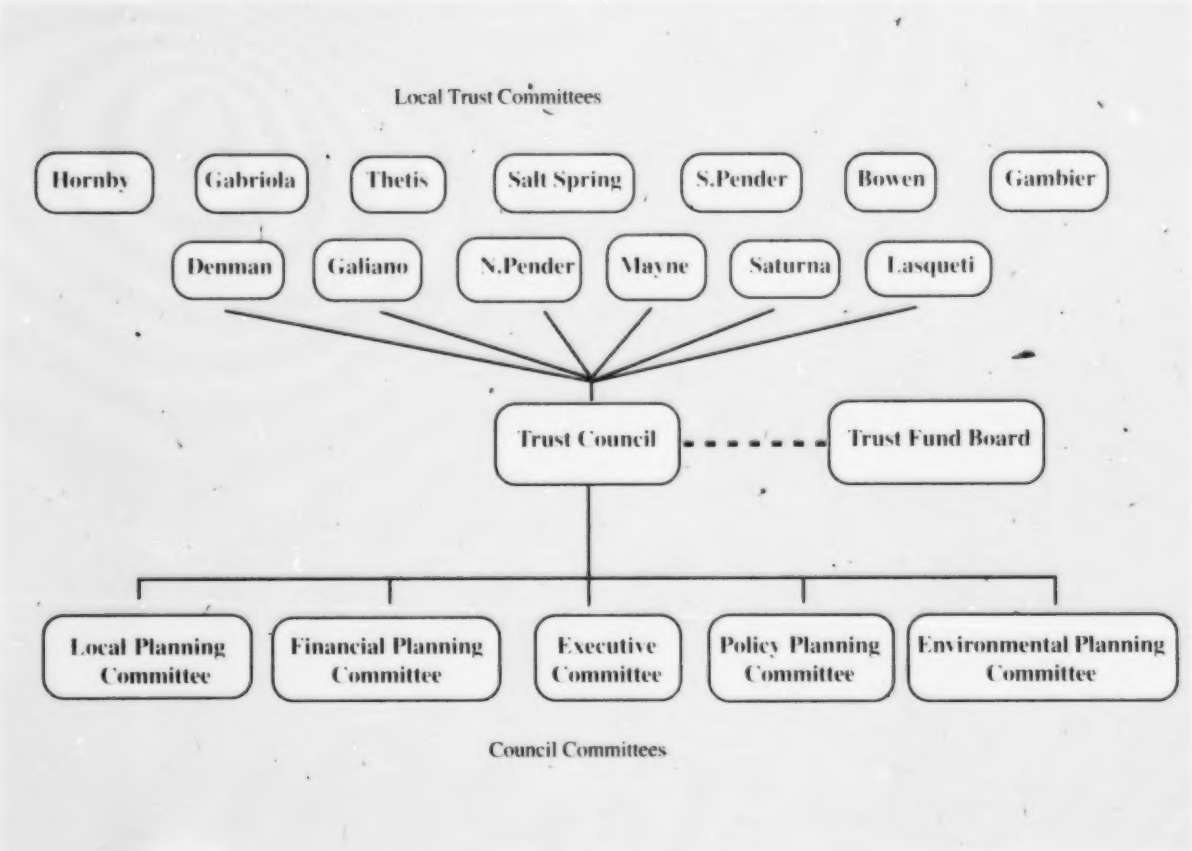
Michael Paine

Tom Ward

Bowen	*Tracy Chambers* *Eric Sherlock*
Denman	*Louise Bell* *Bill Limin*
Gabriola	*Gail Lund* *Gisela Rüdiger*
Galiano	*Margaret Griffiths* *Debbie Holmes*
Gambier	*Kim Benzie* *Ian Rees*
Hornby	*George Baryer* *Tony Law*
Lasqueti	*Melinda Auerbach* *Eric O'Riggin*
Mayne	*Larry Holbrook* *Richard Tumbelina*
N. Pender	*George Ravenscroft* *Tom Ward*
Salt Spring	*David Berrevoets* *Bev Byron*
Saturna	*John Money* *Bill Sheffield*
S. Pender	*John Rumble* *Steve Wright*
Thetis	*Jon Eaton* *David Essig*

Appendix B: Legislative Structure of the Islands Trust

Organizational Structure



Decision Making

Each Local Trust Area selects two members to sit on the local trust committee and on the Trust Council. This body of elected representatives is responsible for the business of the Islands Trust. The Executive Committee of the Trust Council is responsible for running the Islands Trust between sittings of the Trust Council.

Planning Support

The Local Planning, Financial Planning, Policy Planning and Environmental Planning Committees, along with their supporting staff, provide specialist advice.

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Part A: Financial Statements of the Islands Trust

Balance Sheet
(March 31, 1998, with comparative figures for 1997)

	1998	1997
ASSETS		
Current assets:		
Cash and short-term investments:		
Unrestricted	$1,360,730	$877,588
Restricted for pre-retirement leave (2)	11,622	20,238
Accounts receivable	85,073	215,345
Prepaid expenses	22,415	26,594
	1,479,840	1,139,765
Fixed assets:		
Office furniture and equipment	626,850	510,009
Denman Island Old School Site (3)	10,000	10,000
	636,850	520,009
	$2,116,690	$1,659,774
LIABILITIES, RESERVES AND EQUITY		
Current Liabilities:		
Unearned revenue	$9,058	$5,945
Accounts payable and accrued liabilities	616,301	446,009
	625,359	451,954
Other liabilities:		
Reserve for pre-retirement leave plan (2)	11,622	20,238
Reserves:		
Future expenditures	182,300	--
Payroll benefits	60,485	--
Working Capital	130,000	100,000
Capital	61,000	30,000
Legal	177,630	57,630
Operating	93,000	63,000
	704,415	250,630
Equity:		
Surplus	138,444	416,943
Equity in capital assets (4)	636,850	520,009
	775,294	936,952
Commitments (5)		
Contingency (6)	$2,116,690	$1,659,774

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Statement of Revenue and Expenditure

(Year ended March 31, 1998, with comparative figures for 1997)

	1998 Total	1998 Budget	1997 Total
REVENUE:			
Property tax levy	$2,795,525	$2,795,525	$2,639,890
Provincial grant	423,000	423,000	469,437
Community planning grants (8)	42,300	55,000	55,500
Fees and sales	123,206	121,000	126,803
Interest and other	71,035	34,000	43,158
Appropriations from surplus	105,500	105,500	158,500
	3,560,566	3,534,025	3,493,288
EXPENDITURE:			
Council services	712,881	721,067	677,445
Local services	2,544,585	2,571,999	2,411,417
Trust Fund Services	238,020	240,959	185,114
	3,495,486	3,534,025	3,273,976
Net Revenue for the year before legal settlement	65,080	--	219,312
Legal settlement (7)	--	--	177,620
Net revenue for the year	$ 65,080	$ --	$ 396,932

Statement of Surplus

	1998	1997
Balance, beginning of year	$ 416,943	$ 356,511
Deduct surplus appropriated for current year	(105,500)	(158,500)
	311,443	198,011
Add net revenue for the year	65,080	396,932
	376,523	594,943
Deduct transfer to reserves:		
Payroll benefits	27,079	--
Working capital	30,000	100,000
Capital	31,000	30,000
Legal	120,000	30,000
Operating	30,000	18,000
	238,079	178,000
Balance, end of year	$ 138,444	$ 416,943

Part A: Financial Statements of the Islands Trust

Balance Sheet
(March 31, 1998, with comparative figures for 1997)

	1998	1997
ASSETS		
Current assets:		
Cash and short-term investments:		
Unrestricted	$1,360,730	$877,588
Restricted for pre-retirement leave (2)	11,622	20,238
Accounts receivable	85,073	215,345
Prepaid expenses	22,415	26,594
	1,479,840	1,139,765
Fixed assets:		
Office furniture and equipment	626,850	510,009
Denman Island Old School Site (3)	10,000	10,000
	636,850	520,009
	$2,116,690	**$1,659,774**
LIABILITIES, RESERVES AND EQUITY		
Current Liabilities:		
Unearned revenue	$9,058	$5,945
Accounts payable and accrued liabilities	616,301	446,009
	625,359	451,954
Other liabilities:		
Reserve for pre-retirement leave plan (2)	11,622	20,238
Reserves:		
Future expenditures	182,300	--
Payroll benefits	60,485	--
Working Capital	130,000	100,000
Capital	61,000	30,000
Legal	177,630	57,630
Operating	93,000	63,000
	704,415	250,630
Equity:		
Surplus	138,444	416,943
Equity in capital assets (4)	636,850	520,009
	775,294	936,952
Commitments (5)		
Contingency (6)	**$2,116,690**	**$1,659,774**

Statement of Revenue and Expenditure

(Year ended March 31, 1998, with comparative figures for 1997)

	1998 Total	1998 Budget	1997 Total
REVENUE:			
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Interest and other	71,035	34,000	43,158
Appropriations from surplus	105,500	105,500	158,500
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EXPENDITURE:			
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Legal	120,000	30,000
Operating	30,000	18,000
	238,079	178,000
Balance, end of year	**$ 138,444**	$ 416,943

The Islands Trust is incorporated under the 'Islands Trust Act' of British Columbia. The object of the Islands Trust is "to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally...". For financial reporting purposes, the Trust and the Islands Trust Fund are reported on separately. These financial statements present the financial position and results of operations of the Trust.

These financial statements have been prepared by KPMG Chartered Accountants, and submitted to the Islands Trust Council on May 12, 1998. The statements are based on an audit of the Islands Trust and the Islands Trust Fund balance sheets as at March 31, 1998.

1. Significant accounting policies:

It is the Trust's policy to follow accounting principles generally accepted for British Columbia municipalities. The following is a summary of the more significant policies:

(a) Investments: Investments are recorded at cost.

(b) Fixed assets: Fixed assets, whether purchased outright or financed by long-term debt or lease, are capitalized on the balance sheet. Payments for fixed assets or for the related financing thereon are treated as operating expenditures with an appropriate credit to equity in capital assets. Donated fixed assets are carried at appraised market value at the time of donation.

(c) Depreciation: In accordance with a direction from the Ministry of Municipal Affairs, no depreciation is recorded on fixed assets.

(d) Reserves: These reserve accounts are non-statutory reserves established at the discretion of Council. In 1996/97, reserves included a working capital reserve, a capital reserve, a reserve for legal costs and an operating reserve.

In 1997/98, a reserve for future expenditures was established, representing amounts set aside from current operations for future operating and capital expenditures.

Also in 1997/98, a payroll benefit reserve was established to provide funding for a portion of employees' unused vacation or other entitlements.

There remains a balance to be funded from surplus. The amount ($54,159) is intended to be funded over the next two years.

2. Pre-retirement leave plan:

The Superannuation Commission of the Province of British Columbia transferred to the Trust the assets and obligations of a pre-retirement leave plan in respect of certain employees. Management considers the assets of the plan to be adequate to cover its obligations.

3. Denman Island Old School Site:

In 1993/94, the Denman Island Old School Site was sold to the Trust for $10,000, which was donated by the Denman Island Ratepayers' Association who, in turn, leased the building from the Trust for 99 years for a total fee of $10. The Trust agreed to facilitate the sale of the school between School District #71 and the Ratepayers' Association and to hold title to the property on behalf of the community.

4. Equity in capital assets:

Capital Assets		
	1998	1997
Opening balance	$520,009	354,333
Assets acquired out of operating expenditure	116,841	102,334
Principal portion of capital lease payments	--	63,342
	$636,850	520,009

5. Commitments:

The Trust is committed to leases over rented premises and equipment. Minimum future payments in the next five years are as follows:

Leases		
Year	Premises	Equipment
1999	$ 197,835	14,942
2000	193,594	10,127
2001	142,782	6,760
2002	--	634
2003	--	--

6. Contingency:

In the normal course of a year, the Trust is faced with lawsuits for damages of diverse natures. At year end, the Trust's estimated exposure in each such liability is not considered to be significant. When claims are paid as a result of litigation, the expenditures are accounted for in the year of settlement.

7. Legal Settlement:

The Trust received confirmation that on May 2, 1996 the Supreme Court of Canada declined an application by MacMillan Bloedel for leave to appeal the August 1996 decision by the B.C. Court of Appeal overturning the trial court's earlier ruling which had declared certain bylaws passed by the Galiano Local Trust Committee to be invalid.

In March 1997, the Trust recovered tariffed costs related to this action in the amount of $187,620. By a separate agreement $10,000 is to be repaid to the U.B.C.M. for assistance provided resulting in a net recovery of $177,620 which has been recorded as revenue in the current fiscal year ended March 31, 1996.

8. Community planning grants:

Planning grant revenue is recorded when the expenditures have been incurred in order to match the grant revenue against the related expenditures.

At March 31, 1998 there are approved 1997/98 planning grant applications totalling $150,000 which have not been recorded in revenue because the related expenditures have not yet been incurred. These grant revenues will be recorded in a subsequent year at the time the project expenditures are incurred.

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4. Equity in capital assets:

Capital Assets	[illegible]	1997
Opening balance	[illegible]	354,333
Assets acquired out of operating expenditure	[illegible]	102,334
Principal portion of capital lease payments	[illegible]	63,342
	[illegible]	520,009

5. Commitments:

The Trust is committed to leases over rented premises and equipment. Minimum future payments in the next five years are as follows:

Leases		
Year	[illegible]	Equipment
1999	[illegible]	14,942
2000	[illegible]	10,127
2001	[illegible]	6,760
2002	[illegible]	634
2003	[illegible]	--

6. Contingency:

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Part B: Financial Statements of the Islands Trust Fund

Balance Sheet

	1998	1997
ASSETS		
Cash	$ 26,700	$ 8,296
Land (1b)	1,646,497	1,451,000
	$1,673,197	**$1,459,296**
EQUITY		
Fund Balance (4)	**$1,673,197**	**$ 1,459,296**

Statement of Changes in Fund Balance

	1998	1997
Balance, beginning of year	**$ 1,459,296**	$1,181,510
Add cash items:		
Cash donations for South & West Salt Spring Conservation (4)	3,000	--
Cash donations for Brooks Point property (4)	4,702	--
Cash donations for McFadden property (4)	9,713	--
Other cash donations	449	2,596
Interest	540	240
	18,404	2,836
Deduct cash items:		
Development cost - Leaving a Living Legacy	--	(7,500)
Donation to Salt Spring Island Conservancy	--	(1,550)
		(9,050)
Balance before non-cash item	1,477,700	1,175,296
Add:		
Land donation - Lasqueti Nature Reserve (2)	195,497	--
Crown grant of land - Lower Mt. Erskine Nature Reserve (3)	--	284,000
Balance, end of year (4)	**$1,673,197**	**$1,459,296**

The Islands Trust ("the Trust") is incorporated under the Islands Trust Act of British Columbia (as amended in 1989). The objective of the Islands Trust is "to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally...". For financial reporting purposes, the Islands Trust and The Islands Trust Fund are reported on separately. These financial statements present the financial position and changes in fund balance of the Trust Fund.

The Islands Trust Fund ("the Trust Fund") is empowered to accept donations, grants, bequests, etc. and to hold land and other property in compliance with a Trust Fund plan approved by the Ministry of Municipal Affairs and Housing.

1. Significant accounting policies:

It is the Trust Fund's policy to follow accounting principles for not-for-profit organizations. The following is a summary of the more significant policies:

(a). Basis of Accounting: Accounting for the Trust Fund is on the accrual basis.

(b). Land: Land is recorded at the fair market value at the date of donation.

2. Lasqueti Nature Reserve:

The Lasqueti Nature Reserve property was donated by Mrs. Amelia Humphries in December 1997.

3. Crown grant of land:

The Lower Mt. Erskine Nature Reserve property was donated by Mr. John Fisher in 1976. At that time, the *Islands Trust Act* did not permit the ownership of land by the Islands Trust Council or Local Trust Committees. Mr. Fisher therefore requested that the property be held by the Crown until such time as legislation to create the Trust Fund was proclaimed.

In June 1996 the Trust Fund acquired this property by way of a Crown grant of land from the Ministry of Environment, Lands and Parks.

4. Fund Balance:

The fund balance of the Trust Fund is comprised of cash donations that have been received for specific acquisition projects as well as property acquisitions. The table (page 24) indicates the balances held for land and the balances (inclusive of interest) held for each acquisition project as well as the non-designated balance.

Part B: Financial Statements of the Islands Trust Fund

Balance Sheet

	1998	1997
ASSETS		
Cash	$ 26,700	$ 8,296
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	$1,673,197	**$1,459,296**
EQUITY		
Fund Balance (4)		
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Land donation - Lasqueti Nature Reserve (2)	195,497	--
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Balance, end of year (4)	**$1,673,197**	**$1,459,296**

Notes to Financial Statements: The Islands Trust Fund

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Properties and Acquisition Funds

Properties Owned:	Acquisition Date	1998	1997
Inner Island Nature Reserve, Denman Island	1992	$70,000	$70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
Medicine Beach Marsh, North Pender Island	1996	477,000	477,000
Cunningham Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge Reserve, Salt Spring Island	1992	255,000	255,000
Lower Mt. Erskine Nature Reserve, Salt Spring Island	1996	284,000	284,000
Lasqueti Nature Reserve, Lasqueti	1997	195,497	--
		$1,646,497	$1,451,000
Properties Acquisition Funds:			
South & West Salt Spring Conservation		$3,016	$ --
Brooks Point property		6,482	--
McFadden property		9,945	--
Non-designated fund		7,257	6,614
Medicine Beach		--	1,682
		$26,700	$8,296
Total Fund Balance (Properties and Funds)		$1,673,197	$1,459,296

Properties and Acquisition Funds

	Acquisition Date	1998	1997
erve, Denman Island	1992	$70,000	$70,000
e, Gabriola Island	1994	100,000	100,000
North Pender Island	1995	477,000	477,000
Salt Spring Island	1994	265,000	265,000
alt Spring Island	1992	255,000	255,000
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		$1,646,497	$1,451,000
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